Comments before the House Banking and Financial Services Committee.

My name is Linda Schepperly and I am President/CEO of the Michigan Association of Credit Unions. Our trade association has been in existence for 44 years and serve credit unions both state and federally chartered in the state of Michigan. Or membership consists of credit unions as small as $600,000.00 to $400 million in asset size. I have made it a priority to know board of directors and management at all of the credit unions that we represent. The financial landscape has drastically changed in the past 5 years and will continue to change dramatically in the future. Expansions and mergers and technology will dictate what our financial institutions offer as far as products and services in the years to come.

I have the distinct advantage of being behind the scenes so to speak at my credit unions. Our association offers services from department education to CEO evaluation and mentoring. Strategic planning has become critical to their future planning process, which also includes management succession planning, as well as products and services to better meet member needs.

Members are changing; the products and services of our parents will not meet the needs of our children. We are addressing a generation that does not have the financial knowledge that our parents or we had. A few years ago, you addressed these concerns and passed legislation that encouraged financial literacy, however it was not mandated. I understand with all of the budget cuts, that mandating adding this to curriculum would put an added burden on school systems however there are alternatives to this problem. There are a number of products on the market that are free to communities; all that is needed is a commitment to financial education.

The Credit Union National Association recently conducted a survey of high school seniors and found that 35% were not sure at all about managing their own money, 65% said they were somewhat sure, however when given a simple literacy test, they all failed. The National Endowment for Financial Education (NEFE) was created to provide Americans with practical money-management skills and an introduction to financial planning through course work that covers the fundaments of money management. See attached information. This is just one of many options available to help educate our community members on financial matters. I would like to explore the possibility of mandating this issue be incorporated into K-12 curriculum in the near future.

Recently the Privacy Rights Clearinghouse asked adults what three areas they felt were critical to fully understanding their financial position. Those three areas were:

1. Credit reports and scores. Consumer education is needed so individuals understand the credit reporting industry and its relevance to their daily lives.
2. Credit standing as a risk factor in significant life events such as employment. Few things are more central to a person's financial well being than having a job. If a high percentage of Americans do not understand the credit industry itself, it is not surprising that even fewer people understand that one's credit standing can be used to determine whether a person gets a job, a promotion or even a favorable transfer.

3. Identity theft. The government recently has come to admit the magnitude of this crime and will continue to educate the public on the new rights of consumers.

With the continued focus on privacy and identity theft, sometimes we have a tendency to overlook what is best for citizens no longer in the arena of everyday events, our senior citizens.

Financial exploitation is one of the most common types of elder abuse in the U.S. Each year, dishonest caregivers, con artists and even family members take millions of dollars from unsuspecting seniors. Often, such crimes are not reported because of the difficult situation they may present to the senior:

- Seniors often do not report fraud because of the fear of being institutionalized after being a victim of fraud
- Determining whether or not to prosecute a family member that has defrauded them
- Being socially isolated with a dishonest caregiver leave them helpless

Credit Unions are sensitive to how fraud can impact seniors and vulnerable adults. Currently we work with the appropriate authorities to address activity that negatively impacts our members, however due to the new privacy laws many times financial institutions have to allow the fraud since they cannot questions the financial activity.

As we move into the "electronic age", the old, simple "person-to-person" techniques of Senior fraud are still effective, take the example of grandma at the teller window with grandson asking for funds even though her account shows no withdrawals in the past 20 years and they are back the next week and the next week, it is an invasion of her privacy to ask if she knows what she is doing.

New scams are being developed as quickly as technology and is much more difficult to track. Internet scams, money recovery scams, credit card fraud, identity theft and home banking fraud are recent and current examples of the "new" and "silent" forms of senior fraud.

We already know that older people possess most of the wealth in the United States, however it sometimes seems that no matter how hard local law enforcement officers, national interest groups and various consumer oriented entities try to educate retireds and the public in general financial institutions cannot question the members activities without violated their privacy. Currently, Adult Protective Services Agency or Elder Law Associates will try and assist if possible, but they are certainly on a fine line regarding the violation of the senior's privacy. The FBI also has provided tips on how you can protect you and your family from fraud, but again they typically cannot step in and prosecute.

We are under the impression that bankruptcy reform will be addressed this year at the national level. Should this not happen again, I would like to think that at some point the state would consider looking at this issue.

On March 4, 2005, the FDIC revised payday-lending guidance. Currently there are only 12 out of 5,200 supervised FDIC institutions offering payday lending. Providing high cost short-term credit on a recurring basis to members with long-term credit needs is not responsible lending and credit unions are not offering this product.

The final issue that I would like to address is the current conversations that I am hearing regarding taxation of credit unions. I understand that with mergers and acquisitions that are occurring, credit unions assets are growing, some to the size of small banks. They still are non-profit organizations that are serving the citizens of this state, and proving themselves to be critical in the financial security of many Michiganians.

Thank you for your time today,

Linda M. Schepperly
President/CEO
MACU Association Group

Personal Finance & Education Information

The Federal Reserve Bank of Chicago is committed to educating consumers about financial issues relevant to them.

ABCs of Figuring Interest
Learn how interest is calculated, what the difference is between simple and compound interest, and whether repaying a loan early saves you money.

Controlling Interest
Interest rate ceilings can have unintended consequences. Check out the economic theory behind the arguments for and against usury ceilings.

Credit Guide
Learn how to use credit wisely, avoid hazards, and deal with problems if they come up.

Electronic Money
Learn about different types of electronic payment systems and the future of electronic money.

The Fed: Our Central Bank
Get an overview of the Federal Reserve and how it affects you.

How to Budget & Save
Learn to manage your money better by following a few simple steps.

Money Matters
Review the history of money.

Points of Interest
Learn what factors determine interest rates.

Purchase Options for Consumers
Review the advantages and disadvantages of different kinds of payments.

Strong Dollar, Weak Dollar
Explore how the U.S. dollar and foreign currencies affect each other and how their interaction affects you and the economy.

What You Should Know About Internet Banking

Review information on banking options, different types of online banking, services and advantages, privacy issues, security, regulations that protect consumers, and filing a complaint against a financial institution.

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Financial Literacy and Education Campaign Strategies

Posted: November 1, 2004

Comments Submitted to the U.S. Department of Treasury and the Financial Literacy and Education Commission

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Financial Literacy and Education Campaign Strategies

Department of Treasury
Financial Literacy and Education Commission
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Via e-mail: flecstrategy@do.treas.gov

RE: Financial Literacy and Education Comments

To the FLEC Commission:

The Privacy Rights Clearinghouse (PRC) appreciates the opportunity to provide comments on the important topic of financial literacy. We are pleased to share our views, which are based on questions and problems presented by consumers who have contacted the PRC over the years.

The PRC is a nonprofit consumer education and advocacy organization based in San Diego, CA, and established in 1992. The PRC advises consumers on a variety of informational privacy issues, including financial privacy, medical privacy and identity theft, through a series of fact sheets as well as individual counseling available via telephone and e-mail. It represents consumers' interests in legislative and regulatory proceedings on the state and federal levels. Our web site is www.privacyrights.org.

The educational materials posted on the PRC's web site receive approximately 120,000 unique visitors each month. In addition, PRC staff members respond to approximately 100 hotline and e-mail inquiries from consumers each week. Of these consumer contacts, identity theft and employment background checks are the most frequent topics of inquiry. Based on this experience, we provide the following responses to the FLEC's questions.

What are the three most important issues that the national strategy should address?

1. Credit reports and scores. Consumer education is needed so individuals understand the credit reporting industry and its relevance to their daily lives, especially concerning key life events, among them credit and banking accounts, auto and home loans, insurance, employment, and apartment rental.

A July 2003 survey by the Consumer Federation of America found a high percentage of Americans did not understand credit reports and credit scores. The CFA found that low- and moderate-income individuals were particularly affected by a lack of knowledge. There is a crucial need for education on consumer rights, how to read a credit report, how to correct errors in credit reports, and how a credit score is determined.
www.consumerfed.org/072803creditscores.html

2. Credit standing as a risk factor in significant life events such as employment. Few things are more central to a person's financial well being than having a job. If a high percentage of Americans do not understand the credit industry itself, it is not surprising that even fewer people understand that one's credit standing can be used to determine whether a person gets a job, a promotion, or even a favorable transfer within an organization. The same is true of insurance premiums. Our contacts with consumers indicate a general lack of understanding that a poor credit history can affect one's ability to get a job or can increase the premiums one pays for automobile insurance.

3. Identity theft. The government and the public have only recently come to grips with the magnitude of this crime. Even the Federal Trade Commission's estimate of nearly 10 million victims in 2002 may understate the crime. By all accounts, the number of victims will only increase. The Fair and Accurate Credit Transaction Act of 2003 (FACTA) gives individuals new rights to both prevent and rectify an instance of identity theft. Education programs should target these new rights for consumers.

What existing resources may be used to address those issues and how could they be employed?

Nonprofit organizations and government agencies have produced an abundance of educational materials aimed at increasing financial literacy. The FLEC should form alliances with national as well as state/local nonprofit organizations to promote greater distribution of existing materials.

The FLEC should recognize that many people who could benefit from a literacy program do not have Internet access. Thus, the FLEC should explore ways to provide materials and answers to questions directly to the public. Working with public libraries would be an excellent way to reach individuals who do not have Internet access in the home.

What are the best ways to improve financial literacy and financial education in the United States?

Financial literacy should start early. Fundamental concepts such as the need for savings should be started in elementary school and be carried through the educational process.

Unfortunately, dysfunctional concepts such as "easy credit" are often instilled as college-age students are lured with multiple credit card offers and as television advertisements portray "the good life" as being fueled with credit card accounts. With the average household credit card indebtedness estimated at $9,000, these messages need to be countered early on with education about the responsible uses of credit.

Getting financial literacy programs into the curriculum is not easy however. There are enormous pressures on schools, especially K-12, to incorporate a wide array of topics into the curriculum. Nonetheless, it is critically important that model curricula be developed so that teachers can incorporate the most important financial literacy concepts into the classroom.

One way to reach young people would be the expansion of a game show format called LifeSmarts, sponsored by the National Consumers League, www.lifesmarts.org. Many kids love the challenge of a game show, and LifeSmarts is a fun way to involve young people in financial literacy. A PRC staff member participated as a judge in a LifeSmarts competition a few years ago and was very impressed with the enthusiasm shown by the participants, as well as their command of a multitude of consumer-related topics.

A financial literacy education campaign would best be fostered by a joint effort comprised of representatives from consumer advocacy groups, community-based organizations, industry groups, as well as government agencies. Perhaps just such a multi-stakeholder effort to learn from is the consumer education campaign implemented here in California in 1996 for the telephone service Caller ID. Although the campaign surrounding Caller ID has nothing to do with financial literacy per se, the *process* has validity for a financial literacy strategy.

The California Public Utilities Commission (CPUC) mandated in the early 1990s that before Caller ID could be implemented in the state, the public must be educated about the privacy implications of this service, in particular, the ability of phone customers to choose between two modes of service, selective number blocking and complete blocking. A committee comprised of the key stakeholders was convened by the CPUC that included representatives of consumer and community groups, the phone industry, and government. We communicated by phone and by e-mail over several months in order to develop the basic message that we wanted California phone consumers to receive. The overall message-development and communications strategy was overseen by an academician, a Communications professor who had experience in the field of public communications.

Although several aspects of the 1996 Caller ID consumer education campaign have no bearing on a financial literacy strategy, there are some lessons that can be learned:

- First, the message was developed by a multi-stakeholder group, one that included the consumer perspective. We did not finalize the composition of the message until all of us could agree on it. This process ensured that industry-oriented marketing pitches were avoided.
- Second, we benefited by having this process overseen by someone from academia, a person who had no overriding biases on either the consumer side or the industry side. If I were to participate in such a committee endeavor today, I would further recommend that the message(s) be reviewed by a readability expert to make sure that the most comprehensible message be crafted. I would also recommend that the message be tested with a variety of individuals and/or groups.
- Third, the message was delivered in several languages to ensure that individuals with limited or no English-language capabilities could understand the message.
- Fourth, several communications vehicles were used to deliver the message -- bill inserts, newspapers, television,

radio, as well as in-person workshops in a multitude of languages offered by community-based organizations. The Internet was in its infancy then, so we did not use the web, although that would certainly be a key vehicle today.

- Fifth, after the message had been delivered to the general public over a period of time, a survey was conducted to determine if the strategy worked. The survey results showed that indeed, a majority of Californians knew of Caller ID and could identify their two choices.

The process that developed the Caller ID consumer education campaign was not cheap. Indeed, funding is likely to be one of the major challenges facing a financial literacy endeavor. I would strongly recommend that if a public-private funding mechanism is established, that checks and balances be adopted in order to avoid the creation of messages with a commercial bias. I firmly believe that a multi-stakeholder process, similar to the one I described for California's Caller ID campaign, is key to creating a comprehensive and well-designed financial literacy campaign, one that is developed with consumers' best interests in mind.

Thank you for the ability to submit these comments. If we can assist the Department of Treasury and the other financial regulatory agencies in developing a financial literacy program, please do not hesitate to contact us.

Sincerely,

Beth Givens
Director
Privacy Rights Clearinghouse

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Education Programs

Education Programs

This "action area" of the National Endowment for Financial Education® (NEFE®) was created to provide Americans with practical money-management skills and an introduction to financial planning through course work that covers the fundamentals of money management.

Although not restricted to a particular age group, the Education Programs area has focused largely on increasing financial literacy among the nation's youth. This focus is exemplified by the organization's longest-standing public service effort, the NEFE High School Financial Planning Program® (HSFPP).

The innovative HSFPP uses contemporary materials to teach the basics of personal finance to young people while they are developing habits and attitudes about money that will influence them for the rest of their lives. It is based on the philosophy that *learning* about money is as important as *earning* it—and that effective money management results from a disciplined behavior, which is most easily mastered if learned early in life. This practical and objective program is available at no cost to all high schools throughout the country. (Click on the highlighted term above for more information about the NEFE High School Financial Planning Program.)

The NEFE HSFPP is offered in partnership with the U.S. Department of Agriculture

Cooperative State Research, Education, and Extensive Service & participating Land-Grant University Cooperative Extension Services (CES); and with the Credit Union National Association, Inc., and America's Credit Union.

As a complement and enhancement to the NEFE High School Financial Planning Program, NEFE provides its first Web-based training program. The course is aimed at teachers and others who work with young people and provides background information on personal finance and features myriad suggestions and examples that can be applied to classroom exercises and discussions.

Click here to access the HSFPP Web-based training program.

The National Endowment also offers a Web-based resource designed and written for high school students interested in learning more about personal finance. The NEFE Teen Resource Bureau Web site (www.ntrbonline.org), managed and maintained by young adults in the NEFE Fellows Program, offers information on topics such as establishing written and meaningful goals, understanding credit, budgeting, spending wisely, and much more. The Web site is updated quarterly with content available in Spanish and text only versions. The site utilizes the HSFPP curriculum to outline key personal finance concepts.

Printed copies in English of the HSFPP Intructor's Manual and the complete HSFPP Student Guide are available at no cost. With your order, please specify the name of your school/institution, complete street address, telephone number, and e-mail address, along with the quantities you need. To order, contact:

Lanell Daniel-Knight
303-224-3511
ldk@nefe.org

A Spanish version of the HSFPP is available online and may be downloaded and printed. Click here to download the Spanish version

New High School Portal

NEFE has created a new High School Financial Planning Program Portal with a multitude of additional resources to complement the HSFPP. Click here to access the new NEFE High School Portal.

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